



Sundays River Valley Municipality
Financial statements
for the year ended 30 June 2014
Auditor General of South Africa

AUDITOR - GENERAL
SOUTH AFRICA

30 NOV 2014

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Sundays River Valley Municipality

Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity

The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

Nature of business and principal activities

Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

Mayoral committee

Mayor

Kebe MW

Councillors

Hawu NG (Speaker)

Adams F

Blou PR

Delpont JS

Finnis BAM

Grootboom TR

Jagers HE

Kula-Stefana J

Lose ZA

Manene J

Qusheka Z

Rune SH

Smith K

Snoek BC

Wagenaar I

Grading of local authority

Two (2)

Chief Finance Officer (CFO)

N Ponco

Accounting Officer

LN Ngoqo

Registered office

30 Middle Street
Kirkwood
6120

Postal address

PO Box 47
Kirkwood
6120

Bankers

First National Bank

Auditors

Auditor General of South Africa

Attorneys

Canter and Kie

Deon van der Merwe Attorneys

De Wet and Stryder Attorneys, Conveyancers and Notaries

Doreen Mgoduka Attorneys

Friedman Scheckter Attorneys, Conveyancers and Notaries

Pumeza Bono Incorporated



Sundays River Valley Municipality

Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |



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Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:


LN Ngogo
Accounting Officer

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Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

| Figures in Rand | Note(s) | 2014 | 2013 Restated* |
|--|-----------------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | <u>30.20</u> 7 | 158 005 | 158 005 |
| Receivables from non-exchange transactions | <u>33.20</u> 8 | 696 039 | 949 759 |
| Consumer debtors | <u>31.20</u> 9 | 9 955 781 | 23 725 942 |
| Cash and cash equivalents | <u>32.20</u> 10 | 6 999 209 | 6 290 990 |
| | | 17 809 034 | 31 124 696 |
| Non-Current Assets | | | |
| Investment property | <u>21.20</u> 3 | 28 363 506 | 28 363 506 |
| Property, plant and equipment | <u>20.20</u> 4 | 366 676 589 | 370 571 903 |
| Intangible assets | <u>23.22</u> 5 | 670 507 | 982 932 |
| Other asset | <u>27.27</u> | - | (10 500) |
| | | 395 710 602 | 399 907 841 |
| Total Assets | | 413 519 636 | 431 032 537 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | <u>25.29</u> 11 | 908 443 | 960 859 |
| Payables from exchange transactions | <u>51.20</u> 14 | 26 872 314 | 23 574 631 |
| VAT payable | <u>51.20</u> 15 | 4 140 158 | 3 774 463 |
| Consumer deposits | <u>51.20</u> 16 | 269 980 | 262 178 |
| Unspent conditional grants and receipts | <u>43.20</u> 12 | 3 073 282 | 612 595 |
| Current portion long term liabilities | <u>43.27</u> | 3 010 137 | 2 609 713 |
| | | 38 274 314 | 31 794 439 |
| Non-Current Liabilities | | | |
| Finance lease obligation | <u>25.29</u> 11 | 404 173 | 767 737 |
| Employee benefit obligation | <u>27.22</u> 6 | 3 383 048 | 3 612 000 |
| Provisions | <u>52.20</u> 13 | 9 346 707 | 15 823 206 |
| Other liability | <u>43.27</u> | 4 153 983 | 6 888 143 |
| | | 17 287 911 | 27 091 086 |
| Total Liabilities | | 55 562 225 | 58 885 525 |
| Net Assets | | 357 957 411 | 372 147 012 |
| Accumulated surplus | <u>40.24</u> | 357 957 415 | 372 147 012 |

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* See Note 27

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Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand

| | Note(s) | 2014 | 2013 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Rendering of services | 18 | 45 232 785 | 38 375 996 |
| Rental of facilities and equipment | 18 | 128 021 | 114 658 |
| Interest received (trading) | 18 | 7 606 613 | 4 934 484 |
| Income from agency services | | 1 120 957 | 1 577 044 |
| Licences and permits | 18 | 1 989 209 | 1 327 117 |
| Other income | 18 | 229 802 | 748 167 |
| Total revenue from exchange transactions | | 56 307 387 | 47 077 466 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 19 | 13 933 346 | 13 014 347 |
| Transfer revenue | | | |
| Government grants & subsidies | | 72 717 340 | 65 751 795 |
| Fines | | 2 012 223 | 1 907 308 |
| Other income | | 176 666 | 1 507 006 |
| Total revenue from non-exchange transactions | | 88 839 575 | 82 180 456 |
| Total revenue | 18 | 145 146 962 | 129 257 922 |
| Expenditure | | | |
| Personnel | 22 | (37 677 431) | (31 682 087) |
| Remuneration of councillors | 23 | (5 519 224) | (4 930 220) |
| Depreciation and amortisation | | (19 309 864) | (13 796 839) |
| Impairment loss/ Reversal of impairments | | (42 096 988) | (15 821 989) |
| Finance costs | | (327 613) | (2 719 762) |
| Repairs and maintenance | | (11 816 419) | (11 842 927) |
| Bulk purchases | | (14 734 165) | (12 319 965) |
| General Expenses | 21 | (27 854 855) | (26 588 330) |
| Total expenditure | | (169 336 559) | (119 702 119) |
| Operating (deficit) surplus | | (14 189 597) | 9 555 803 |
| (Deficit) surplus for the year | | (14 189 597) | 9 555 803 |

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* See Note 27

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---------------------|---------------------|
| Balance at 01 July 2012 | 347 891 856 | 347 891 856 |
| Changes in net assets | | |
| Surplus for the year | 9 555 803 | 9 555 803 |
| Total changes | 9 555 803 | 9 555 803 |
| Opening balance as previously reported | 365 016 725 | 365 016 725 |
| Adjustments | | |
| Correction of errors | 7 130 287 | 7 130 287 |
| Restated* Balance at 01 July 2013 as restated* | 372 147 012 | 372 147 012 |
| Changes in net assets | | |
| Surplus for the year | (14 189 597) | (14 189 597) |
| Total changes | (14 189 597) | (14 189 597) |
| Balance at 30 June 2014 | 357 957 415 | 357 957 415 |
| Note(s) | | |

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Cash Flow Statement

| Figures in Rand | Note(s) | 2014 | 2013 Restated* |
|---|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 22 929 676 | 33 383 462 |
| Grants | | 75 178 028 | 69 731 840 |
| Other receipts | | 17 666 195 | 2 525 239 |
| | | 115 773 899 | 105 640 541 |
| Payments | | | |
| Employee costs | | (43 196 665) | (36 879 078) |
| Suppliers | | (53 679 083) | (44 729 512) |
| Finance costs | | (327 613) | (2 719 762) |
| | | (97 203 341) | (84 328 352) |
| Net cash flows from operating activities | 24 | 18 570 558 | 21 312 189 |
| Cash flows from Investing activities | | | |
| Purchase of property, plant and equipment | 4 | (15 139 413) | (16 433 101) |
| Proceeds from sale of property, plant and equipment | 4 | 37 289 | - |
| Purchase of other intangible assets | 5 | - | (51 500) |
| Purchase of other asset | | (10 500) | - |
| Proceeds from sale of other asset 2 | | - | 3 497 |
| Net cash flows from Investing activities | | (15 112 624) | (16 481 104) |
| Cash flows from financing activities | | | |
| Movement in other liability | | (2 333 736) | 436 745 |
| Finance lease payments | | (415 980) | (1 200 252) |
| Net cash flows from financing activities | | (2 749 716) | (763 507) |
| Net increase/(decrease) in cash and cash equivalents | | 708 218 | 4 067 578 |
| Cash and cash equivalents at the beginning of the year | | 6 290 990 | 2 223 412 |
| Cash and cash equivalents at the end of the year | 10 | 6 999 208 | 6 290 990 |

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* See Note 27